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Statement of R. A. Barnhart
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U.S. Department of Transportation
Before the
Transportation Subcommittee of
Senate Committee on Environment and Public Works
Reauthorization of the Federal-aid Highway Program
July 31, 1985

Mr. Chairman and Members of the Committee. Let me take this opportunity to thank each of you for your support and action in reporting out the Interstate Cost Estimate (ICE) and the Interstate Substitution Cost Estimate (ISCE). Secretary Dole has specifically asked that I convey her appreciation to you also. A "clean ICE" will give us time to develop a thoughtful reauthorization bill.

It is with genuine pleasure that I appear before you today to discuss elements of a new highway reauthorization bill. For many months, we have been reexamining our program to review Federal priorities for the future of the Federal-aid system and to evaluate options by which we might provide better stewardship of the trust funds we administer. Unfortunately, the Administration's bill is still under review. My comments today can only address what the Federal Highway Administration (FHWA) is considering. They do not necessarily reflect the Department of Transportation (DOT) or Administration policy. One of our primary goals is to ensure the completion of the Interstate System, and to then establish a direction for the post-Interstate years. Obviously, we believe that our ideas have much merit, but we also recognize that some of them involve long-standing controversial issues for which no proposed action will be met with universal acclaim.

I must emphasize that the proposals that we describe today are still in development. Therefore, some of our proposals may be altered before they are incorporated into a comprehensive highway bill and officially submitted for your consideration.

FEDERAL HIGHWAY TAXES

We propose to extend the Highway Trust Fund and its user fees for at least 4 years. We are considering a longer time period than 4 years to establish the structure of the highway program once the Interstate is complete (1990). The Congress may not be prepared to enact a bill with this long a time frame, but we feel it is extremely important to set forth the long-range direction of the highway program.

A major exemption to the user tax, gasohol use, has been proposed for total elimination on December 31, 1985, in the President's tax simplification initiative. The proposal to eliminate the exemption is consistent with the basic principle underlying the Highway Trust Fund: that those who give rise to the need for highway improvements should pay for them. This exemption is estimated to cost the Trust Fund about \$500 million annually by 1990, if it is extended.

AUTHORIZATION LEVELS

The Federal-aid highway and related programs are proposed to be authorized at an annual level of about \$15 billion from the Highway Account of the Highway Trust Fund. To support these authorizations (including NHTSA

authorizations) from the Highway Trust Fund requires repeal of the above exemption on gasohol. These authorizations would not trigger the Byrd Amendment which requires that unfunded authorizations not exceed the Trust Fund balance plus 2 years' income beyond the year in which apportionment is made.

INTERSTATE CONSTRUCTION

Several alternatives for completion of the Interstate System with funding from fiscal years 1988-1991 were considered. Principal among these were what has been termed redefinition. However, we are concerned that any redefinition could result in future legislation to fund deleted projects, thereby further eroding the State-Federal financing partnership. Therefore, we feel it to be in the best interest of the States to continue our commitment to completion of the Interstate System as now defined.

We are considering eliminating the minimum one-half percent apportionment of Interstate funds because, at over \$170 million annually, it is an inefficient use of funds in a period during which we should be focusing all available Interstate funds on completion. If we eliminate this provision, we would likely propose a companion provision which would restore funds lost to States as a result of this change, through a restructured 4R/primary category. Also, consistent with the goal of focusing Interstate construction funds on completion, we propose to reduce the availability of apportioned funds from 2 years to 1 year. Any lapsing funds would supplement the annual discretionary takedown which would be redistributed to "ready-to-go" projects. Further,

transfers of Interstate construction apportionments to I-4R would no longer be permitted. Increasing the discretionary funds facilitates timely completion of the Interstate System.

RESTRUCTURED I-4R AND PRIMARY

Aside from Interstate completion, the Administration believes that the Interstate 4R/primary category of funding is among the highest Federal-aid highway priorities. We are looking at ways to grant the States increased latitude in managing this program, based upon their relative needs for Interstate 4R and primary improvements, with some mechanism to ensure adequate expenditures for the Interstate System. We see the expanded 4R/primary program as the long-term backbone of the post-Interstate Federal-aid program. Although highway facilities eligible for these funds amount to only 8 percent of the Nation's road mileage, they currently handle 50 percent of our annual national highway travel.

The Federal share for Interstate 4R projects is now 90 percent, and projects on the primary system are at 75 percent. We are presently analyzing alternatives for apportioning these funds. Clearly, any formula for the combined fund must reflect the importance of the Federal investment in the Interstate System and the traffic served by that system.

BRIDGE REPLACEMENT AND REHABILITATION

The current Bridge Replacement and Rehabilitation Program provides funds for eligible bridges both on and off the Federal-aid systems. No less than 15 percent (but no more than 35 percent) of an individual State's apportionment must be used for off-system bridges.

The existing and accruing bridge needs warrant continuation of a separate bridge replacement and rehabilitation program for the Federal-aid primary system (excluding Interstate System bridges). Interstate bridges would be excluded because the I-4R primary program would provide adequate funds to address bridge needs on the Interstate System. Funds for off-system bridges (including the current urban and secondary system bridges) are more of a local priority and could be included in a different grant program.

We propose that the discretionary portion of the bridge program be continued. This portion of the program provides additional funds for high cost bridges. We are considering increasing the takedown from the Bridge Replacement and Rehabilitation authorization to finance discretionary bridges from the current level to \$250 million through FY 1990. Eligibility would remain restricted to bridges costing more than \$10 million or less than \$10 million but more than twice a State's annual apportionment.

The existing 10 percent maximum and one-fourth percent minimum amounts for an individual State's share of the total annual apportionment would also be continued. The Federal share for the bridge program could be reduced from the current 80 percent to 75 percent to be consistent with the Federal share for the primary system.

HIGHWAY BLOCK GRANT/TAX TURNBACK

During the past several years, the Administration has examined a number of block grant and tax turnback proposals. We are studying approaches to increase State and local discretion and funding responsibility for highways that are not of national significance. The major programs affected by such an approach are urban and secondary programs and the non-primary portion of the bridge replacement and rehabilitation program.

MINIMUM APPORTIONMENT

One of the provisions of the Surface Transportation Assistance Act (STAA) of 1982 which has evoked considerable interest from the Congress and many of the States is the minimum allocation provision which will expire in fiscal year 1986. We are examining ways to change the basis for calculation to a more equitable approach that directly compares estimated dollar tax contributions by each State into the Highway Trust Fund/Highway Account to major program apportionments and allocations made to each State in that same year. Categories which could be included are Interstate construction, Interstate 4R/primary, primary bridges, Interstate transfers, highway block grants and safety construction.

STREAMLINING AND FLEXIBILITY

The FHWA is considering revisions that could reduce unnecessary and burdensome restrictions and requirements. States would receive the flexibility to respond to special circumstances and the Federal Government would be able to more efficiently and effectively deliver Federal assistance. The provisions briefly described below are illustrative.

Construction Inspections: To allow final inspections on Federal-aid projects on an as-needed basis rather than on every project, the statutory language of title 23 could be revised to permit the Secretary to establish procedures for the inspection of such projects. State and local governments perform their own final inspections. Federal final inspections, in many instances, may be duplicative. Final inspections are time consuming and resource intensive when done on an every project basis. Inspections during the course of construction are usually more revealing and can be sufficient.

Urban Planning: To eliminate the statutory requirement for a continuing, cooperative, and comprehensive (3C) planning process in smaller urbanized areas, the threshold for this requirement could be raised to 200,000+ population. State and local officials would determine the decisionmaking structure necessary to act on transportation programs for smaller urbanized areas.

Tolls: Under current law, States may use Federal funds on new toll bridges and toll tunnels, but they cannot be used on toll roads that connect the two. Many believe that the States should be granted the option to use

their Federal funds on new toll roads if they choose. I want to strongly emphasize that we will not propose permitting tolls on existing free Federal-aid highways -- in fact, we will oppose any such effort; but a strong case could be made that States should be permitted to use Federal funds in the building of new toll highways in new locations. Our legislation may provide that Federal funds could be expended on the construction of new toll highways and that tolls could continue after the payment of bonded indebtedness if the toll revenues are used for projects eligible under title 23.

Federal Matching Requirements: The statutory language could be amended to clarify that States may request a Federal matching share less than the maximum amount specified for any particular category and permit adjustment in the matching ratio not to exceed the maximum specified rate.

Interstate Substitute Concept Program: The requirement for an approved Interstate substitute concept program originated with the September 30, 1983, deadline on withdrawals. Substitute projects had only to be approved "in concept" prior to that date to qualify for the "trade-in." No mechanism exists for changes to those concept programs, many of which are either insufficient or out of date. The FHWA is considering repealing the requirement. It is to the State's advantage to expedite use of these funds since the 1982 STAA "froze" withdrawal values. The ability to change the concept program without FHWA involvement at this stage would avoid an administrative burden. The FHWA and UMTA would still retain project approval prior to obligation.

SELECTED ADDITIONAL PROVISIONS

Strategic Highway Research Program (SHRP): In addition to the funds necessary to support physical construction and rehabilitation programs, the States need new technology to solve growing problems in highway structures and materials. During the past 3 years, we have worked with the Transportation Research Board and the States to plan a new SHRP, financed as a takedown from Federal-aid. This program could strengthen the Nation's commitment to highway structures and materials research, increase the funds available for research and concentrate the new effort on a small number of critical high-payoff research problems. We believe that solution of the high priority problems can bring highway savings which far exceed the cost of the research.

Emergency Relief (ER): Currently, no match is required for ER funds. In order to manage the program more effectively and make the Federal share consistent with the share for the other programs of major Federal interest, the Federal share for ER projects would be revised to make it the same as the Federal share for regular Federal-aid projects on the system on which the ER project is located; e.g., 90 percent for Interstate and 75 percent for primary.

Currently, the territories are not eligible for ER funds. However, since they receive Federal-aid funds, we have proposed to expand the eligibility to include territories.

HIGHWAY BEAUTIFICATION

The Highway Beautification Program has been receiving media attention lately due to claims by some that the FHWA is not enforcing the law. This criticism is not justified. In the last 5 years, the States have taken down more than 124,000 signs. Nineteen States have essentially completed their sign acquisition program. Also, the General Accounting Office (GAO) in its recently completed, year-long study had no specific administrative-oriented recommendations. We are responding to requests for training State's enforcement staffs (i.e., 11 courses have been given in the past several years) and providing assistance in regulatory and legislative compliance.

I have mentioned the recent (January 3, 1985) GAO report on outdoor advertising. The problems and issues noted therein are not new. Most of the issues raised require legislation to change the existing situation. More importantly, GAO reported that States are only issuing permits for signs allowed under the Beautification Act.

Overall, the beautification program is essentially becoming a "control-only" program by the States as opposed to a sign purchase program. That is, States have the responsibility to assure that new signs are only erected in lawful locations.

The Department is considering legislative reform to the existing program, within budgetary constraints. We look forward to working with the Subcommittee.

That concludes my prepared statement. I will be pleased to respond to your questions.